



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
MONTGOMERY COUNTY SHERIFF**

**Calendar Year 2000**

**EDWARD B. HATCHETT, JR.  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE MONTGOMERY COUNTY SHERIFF**

**Calendar Year 2000**

The Auditor of Public Accounts has completed the Montgomery County Sheriff's audit for calendar year 2000. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

#### **Report Comments:**

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits
- The Sheriff Did Not Publish His Settlement Within 60 days As Required



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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable B. D. Wilson, Montgomery County Judge/Executive

Honorable Fred Shortridge, Montgomery County Sheriff

Members of the Montgomery County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Montgomery County, Kentucky, for the year ended December 31, 2000. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2000, in conformity with the basis of accounting described above.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable B. D. Wilson, Montgomery County Judge/Executive  
Honorable Fred Shortridge, Montgomery County Sheriff  
Members of the Montgomery County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated June 18, 2001, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discuss the following findings:

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits
- The Sheriff Did Not Publish His Settlement Within 60 Days As Required

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
June 18, 2001



MONTGOMERY COUNTY  
FRED SHORTRIDGE, SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2000

Receipts

Federal Grants	\$	30,578
State Grants		3,953
State Fees For Services:		
Finance and Administration Cabinet	\$	21,076
State Incentive Pay		36,299
		57,375
Circuit Court Clerk:		
Sheriff Security Service	\$	17,582
Fines and Fees Collected		14,657
		32,239
Fiscal Court		203,233
County Clerk - Delinquent Taxes		3,301
Commission On Taxes Collected		243,679
Fees Collected For Services:		
Auto Inspections	\$	11,715
Accident and Police Reports		1,300
Serving Papers		22,294
Travel		4,750
Carrying Concealed Deadly Weapon Permits		9,983
Miscellaneous		2,628
		52,670
Interest Earned		435
Borrowed Money:		
State Advancement		95,000
		95,000
Gross Receipts	\$	722,463

MONTGOMERY COUNTY  
 FRED SHORTRIDGE, SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 Calendar Year 2000  
 (Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$ 351,166
Part-Time Salaries	2,716
Highway Patrol Overtime	4,333
Overtime	18,377
State Incentive Pay	33,868

Employee Benefits-

Employer's Share Social Security	29,093
Employer's Share Retirement	26,957
Employer Paid Health Insurance	31,991

Contracted Services-

Advertising	134
Vehicle Maintenance and Repairs	4,990

Materials and Supplies-

Office Materials and Supplies	4,826
Uniforms	5,712

Auto Expense-

Gasoline	21,916
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Other Charges-

Training	3,633
Dues	533
Carrying Concealed Deadly Weapon Permits	6,510

Capital Outlay-

Office Equipment	4,871
Vehicles	19,950
Vehicle Equipment	4,178
Technical Equipment	3,876

MONTGOMERY COUNTY  
 FRED SHORTRIDGE, SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 Calendar Year 2000  
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Debt Service:

State Advancement	\$ 95,000
Fiscal Court's Vehicle Lease	<u>41,108</u>

Total Disbursements	<u>\$ 715,738</u>
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Net Receipts	\$ 6,725
Less: Statutory Maximum (Paid Directly From County)	<u>0</u>

Excess Fees Due County for Calendar Year 2000	\$ 6,725
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Payments to County Treasurer - February 15, 2001	<u>3,204</u>
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Balance Due at Completion of Audit	<u><u>\$ 3,521</u></u>
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The accompanying notes are an integral part of the financial statement.

MONTGOMERY COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

MONTGOMERY COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2000

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of December 6, 2000, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$582,374 of public funds uninsured and unsecured.

	<u>Bank Balance</u>
Insured with FDIC	\$ 100,000
Collateralized with securities held by pledging depository institution in the county official's name	3,461,612
Uncollateralized and uninsured	<u>582,374</u>
Total	<u><u>\$ 4,143,986</u></u>

Note 4. Grants

A. Cops in School Grant

The Sheriff was awarded a grant in the amount of \$82,771 that is to be used for the salary of a school resource officer from the period of April 1, 1999 to March 31, 2002. For calendar year 2000, the Sheriff expended \$25,325 under the terms of this grant.

B. Cops More Grant

The Sheriff was awarded a grant in the amount of \$16,678 that is to be used for the salary of an administrative staff member from the period of September 1, 2000 to August 31, 2001. For calendar year 2000, the Sheriff expended \$2,778 under the terms of this grant.

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## COMMENTS AND RECOMMENDATIONS





MONTGOMERY COUNTY  
FRED SHORTRIDGE, COUNTY SHERIFF  
COMMENTS AND RECOMMENDATIONS

Calendar Year 2000

STATE LAWS AND REGULATIONS:

The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

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On December 6, 2000, \$582,374 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

*Sheriff's Response:*

*We are currently banking with another bank and have corrected the above problem.*

The Sheriff Did Not Publish His Settlement Within 60 Days As Required

The Sheriff did not publish his financial statement. He is required by KRS 424.220(6) and (8) to publish his settlement within 60 days after the end of the calendar year. We recommend that the Sheriff publish his settlement within 60 days from the end of the calendar year as required.

*Sheriff's Response:*

*I agree and will correct the problem.*

PRIOR YEAR FINDINGS:

None.

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

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Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Montgomery County Sheriff for the year ended December 31, 2000, and have issued our report thereon dated June 18, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Montgomery County Sheriff's financial statement for the year ended December 31, 2000, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Montgomery County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
June 18, 2001

